

# House Study Bill 587

HOUSE FILE \_\_\_\_\_  
BY (PROPOSED COMMITTEE ON  
AGRICULTURE BILL BY  
CHAIRPERSON DRAKE)

Passed House, Date \_\_\_\_\_ Passed Senate, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

## A BILL FOR

1 An Act relating to the formulation of motor fuel, by providing  
2 for renewable fuel including ethanol blended fuel and  
3 biodiesel blended fuel, providing incentives for  
4 infrastructure used to store and dispense renewable fuel,  
5 income tax credits, and an appropriation, providing penalties,  
6 making penalties applicable, and providing an applicability  
7 date.  
8 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:  
9 TLSB 5701HC 81  
10 da/je/5

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1 1 DIVISION I  
1 2 ESTABLISHMENT OF RENEWABLE FUEL STANDARDS  
1 3 Section 1. PETROLEUM REPLACEMENT GOAL. It is the goal of  
1 4 this state that by January 1, 2021, ethanol will replace  
1 5 twenty percent of all petroleum used in the formulation of  
1 6 gasoline.  
1 7 Sec. 2. Section 214A.1, Code 2005, is amended by adding  
1 8 the following new subsections:  
1 9 NEW SUBSECTION. 0A. "Advertise" means to present a  
1 10 commercial message in any medium, including but not limited to  
1 11 print, radio, television, sign, display, label, tag, or  
1 12 articulation.  
1 13 NEW SUBSECTION. 1A. "B=2 biodiesel blended fuel" means  
1 14 biodiesel blended fuel formulated with a minimum percentage of  
1 15 two percent by volume of biodiesel, if the formulation meets  
1 16 the standards provided in section 214A.2.  
1 17 NEW SUBSECTION. 1B. "B=5 biodiesel blended fuel" means  
1 18 biodiesel blended fuel formulated with a minimum percentage of  
1 19 five percent by volume of biodiesel, if the formulation meets  
1 20 the standards provided in section 214A.2.  
1 21 NEW SUBSECTION. 1C. "B=20 biodiesel blended fuel" means  
1 22 biodiesel blended fuel formulated with a minimum percentage of  
1 23 twenty percent by volume of biodiesel, if the formulation  
1 24 meets the standards provided in section 214A.2.  
1 25 NEW SUBSECTION. 1D. "Biodiesel" means a combustible  
1 26 liquid comprised of mono-alkyl esters of long-chain fatty  
1 27 acids which is all of the following:  
1 28 a. A renewable fuel which is a motor fuel capable of  
1 29 powering diesel engines or aircraft engines.  
1 30 b. Processed from natural oils or fats derived from crops  
1 31 such as soybeans, vegetables, or animals.  
1 32 c. Meets departmental specifications for that type of  
1 33 motor fuel as provided in section 214A.2.  
1 34 NEW SUBSECTION. 1E. "Biodiesel blended fuel" means a  
1 35 formulation of diesel fuel which is a liquid petroleum product  
2 1 blended with biodiesel, if the formulation meets departmental  
2 2 standards as provided in section 214A.2.  
2 3 NEW SUBSECTION. 1F. "Committee" means the renewable fuels  
2 4 and coproducts advisory committee established pursuant to  
2 5 section 159A.4.  
2 6 NEW SUBSECTION. 1G. "Dealer" means a wholesale dealer or  
2 7 retail dealer.  
2 8 NEW SUBSECTION. 1H. "Diesel fuel" means any liquid  
2 9 product prepared, advertised, offered for sale, or sold for  
2 10 use as, or commonly and commercially used as, motor fuel for  
2 11 use in an internal combustion engine and ignited by pressure  
2 12 without the presence of an electric spark, and which meets the  
2 13 specifications provided in section 214A.2.

2 14 NEW SUBSECTION. 1I. "E=85 gasoline" means ethanol blended  
2 15 gasoline formulated with a minimum percentage of between  
2 16 seventy=five and eighty=five percent by volume of ethanol, if  
2 17 the formulation meets the standards provided in section  
2 18 214A.2.

2 19 NEW SUBSECTION. 1J. "Ethanol" means ethyl alcohol that is  
2 20 denatured as required in 23 C.F.R., pts. 20 and 21, for use as  
2 21 an oxygenate in gasoline.

2 22 NEW SUBSECTION. 1K. "Ethanol blended gasoline" means a  
2 23 formulation of gasoline which is a liquid petroleum product  
2 24 blended with ethanol, if the formulation meets the standards  
2 25 provided in section 214A.2.

2 26 NEW SUBSECTION. 1L. "Gasoline" means any liquid product  
2 27 prepared, advertised, offered for sale or sold for use as, or  
2 28 commonly and commercially used as, motor fuel for use in a  
2 29 spark=ignition, internal combustion engine, and which meets  
2 30 the specifications provided in section 214A.2.

2 31 NEW SUBSECTION. 2A. "Motor fuel pump" means the same as  
2 32 defined in section 214.1.

2 33 NEW SUBSECTION. 5A. "Renewable fuel" means a combustible  
2 34 liquid derived from grain starch, oilseed, animal fat, or  
2 35 other biomass; or produced from a biogas source, including any  
3 1 nonfossilized decaying organic matter which is capable of  
3 2 powering machinery, including but not limited to an engine or  
3 3 power plant. Renewable fuel includes but is not limited to  
3 4 ethanol blended gasoline, biodiesel, or biodiesel blended fuel  
3 5 meeting the standards provided in section 214A.2.

3 6 NEW SUBSECTION. 5B. "Renewable fuel producer" means a  
3 7 person engaged in the production of any of the following:  
3 8 a. Ethanol for use as a distillate in ethanol blended  
3 9 gasoline.  
3 10 b. Biodiesel for use as a motor fuel or as a distillate in  
3 11 biodiesel blended fuel.

3 12 NEW SUBSECTION. 7A. "Service station" means each  
3 13 geographic location in this state where a retail dealer sells  
3 14 and dispenses motor fuel on a retail basis.  
3 15 Sec. 3. Section 214A.1, subsection 2, Code 2005, is  
3 16 amended to read as follows:  
3 17 2. "Motor ~~vehicle~~ fuel" means a substance or combination  
3 18 of substances which is intended to be or is capable of being  
3 19 used for the purpose of ~~propelling or running by combustion~~  
~~any of operating an~~ internal combustion engine, including but  
3 21 not limited to a motor vehicle, and is kept for sale or sold  
3 22 for that purpose. ~~The products commonly known as kerosene and~~  
~~distillate or petroleum products of lower gravity (Baume~~  
~~scale), when not used to propel a motor vehicle or for~~  
~~compounding or combining with a motor vehicle fuel, are exempt~~  
~~from this chapter except as provided in section 214A.2A.~~

3 27 Sec. 4. Section 214A.1, subsections 6 and 8, Code 2005,  
3 28 are amended by striking the subsections and inserting in lieu  
3 29 thereof the following:  
3 30 6. "Retail dealer" means a person who operates a place of  
3 31 business where motor fuel is stored and dispensed from a motor  
3 32 fuel pump for sale on a retail basis, including a service  
3 33 station or mobile location.  
3 34 8. "Wholesale dealer" means a person, other than a retail  
3 35 dealer, who operates a place of business where motor fuel is  
4 1 stored and dispensed for sale in this state, including a  
4 2 permanent or mobile location.

4 3 Sec. 5. NEW SECTION. 214A.1A PRODUCTION STANDARDS ==  
4 4 ACCREDITATION.  
4 5 A quality standards program for renewable fuel producers is  
4 6 established. A renewable fuel producer shall not sell  
4 7 biodiesel or biodiesel blended fuel in this state, and a  
4 8 dealer shall not purchase biodiesel or biodiesel blended fuel  
4 9 from a renewable fuel manufacturer, unless the renewable fuel  
4 10 producer is accredited as required under the program. The  
4 11 department, in consultation with the committee, shall certify  
4 12 an accreditation service to administer the program. The  
4 13 accreditation service shall perform a formal review and audit  
4 14 of the capacity and commitment of the renewable fuel producer  
4 15 to produce or market biodiesel or biodiesel blended fuel in a  
4 16 manner and according to procedures that meet the program  
4 17 standards for quality, including A.S.T.M. international  
4 18 specifications and requirements for the storage, sampling,  
4 19 testing, blending, shipping, and distribution of biodiesel and  
4 20 biodiesel blended fuel as established by the accreditation  
4 21 service.  
4 22 Sec. 6. Section 214A.2, subsection 1, Code 2005, is  
4 23 amended to read as follows:  
4 24 1. The ~~secretary~~ department shall adopt rules pursuant to

4 25 chapter 17A for carrying out this chapter. The rules may  
4 26 include, but are not limited to, specifications relating to  
4 27 motor fuel ~~or oxygenate octane enhancers, including but not~~  
4 28 ~~limited to renewable fuel such as ethanol blended gasoline,~~  
4 29 ~~biodiesel, biodiesel blended fuel, and motor fuel components~~  
4 30 ~~such as an oxygenate or other additive.~~ In the interest of  
4 31 uniformity, the ~~secretary~~ department shall adopt by reference  
4 32 or ~~otherwise~~ other specifications relating to tests and  
4 33 standards for motor fuel ~~or oxygenate octane enhancers~~  
4 34 ~~including renewable fuel and motor fuel components,~~  
4 35 established by the United States environmental protection  
5 1 agency or A.S.T.M. (American society for testing and  
5 2 materials) international, unless the secretary determines  
5 3 ~~those specifications are inconsistent with this chapter or are~~  
5 4 ~~not appropriate to the conditions which exist in this state.~~  
5 5 In adopting standards for a renewable fuel, the department  
5 6 shall consult with the committee.

5 7 Sec. 7. Section 214A.2, Code 2005, is amended by adding  
5 8 the following new subsection:  
5 9 NEW SUBSECTION. 2A. a. For motor fuel advertised for  
5 10 sale or sold as gasoline by a dealer, the motor fuel must meet  
5 11 registration requirements for that type of motor fuel and its  
5 12 additives established by the United States environmental  
5 13 protection agency including as provided under 42 U.S.C. }  
5 14 7545.

5 15 b. If the motor fuel is advertised for sale or sold as  
5 16 ethanol blended gasoline, the motor fuel must comply with  
5 17 departmental standards which to every extent feasible shall  
5 18 comply with specifications for ethanol blended gasoline  
5 19 adopted by A.S.T.M. international. For ethanol blended  
5 20 gasoline all of the following shall apply:

5 21 (1) For ethanol blended gasoline other than E=85 gasoline,  
5 22 at least ten percent of the gasoline by volume must be  
5 23 ethanol.

5 24 (2) For E=85 gasoline all of the following must apply:

5 25 (a) From the first day of April until the last day of  
5 26 October, at least eighty=five percent of the gasoline by  
5 27 volume must be ethanol.

5 28 (b) From the first day of November until the last day of  
5 29 March, at least seventy=five percent of the gasoline by volume  
5 30 must be ethanol.

5 31 (3) In calculating the percentage of ethanol required for  
5 32 the formulation of ethanol blended gasoline fuel, a percentage  
5 33 of a denaturant or contaminants permitted in the ethanol  
5 34 blended gasoline may be excluded as provided by rules adopted  
5 35 by the department.

6 1 Sec. 8. Section 214A.2, subsection 3, Code 2005, is  
6 2 amended by striking the subsection and inserting in lieu  
6 3 thereof the following:

6 4 3. a. For motor fuel advertised for sale or sold as  
6 5 biodiesel or biodiesel blended fuel by a dealer, the motor  
6 6 fuel must meet registration requirements for that type of  
6 7 motor fuel and its additives established by the United States  
6 8 environmental protection agency including as provided under 42  
6 9 U.S.C. } 7545.

6 10 b. Biodiesel shall be produced by a renewable fuel  
6 11 producer accredited pursuant to the quality standards program  
6 12 for renewable fuel producers as provided in section 214A.1A.

6 13 c. The motor fuel must comply with departmental standards  
6 14 which to every extent feasible shall comply with  
6 15 specifications adopted by A.S.T.M. international for biodiesel  
6 16 or biodiesel blended fuel.

6 17 (1) The department shall adopt standards for biodiesel  
6 18 blended fuel, including B=2 biodiesel blended fuel, B=5  
6 19 biodiesel blended fuel, and B=20 biodiesel blended fuel. At  
6 20 least two percent of biodiesel blended fuel by volume must be  
6 21 biodiesel.

6 22 (2) In calculating the percentage of biodiesel required  
6 23 for the formulation of biodiesel blended fuel, a percentage of  
6 24 a denaturant or contaminants permitted in the biodiesel  
6 25 blended fuel may be excluded as provided by rules adopted by  
6 26 the department.

6 27 Sec. 9. Section 214A.2A, Code 2005, is amended to read as  
6 28 follows:

6 29 214A.2A KEROSENE LABELING.

6 30 1. Fuel which is sold or is kept, offered, or exposed for  
6 31 sale as kerosene shall be labeled as kerosene. The label  
6 32 shall include the word "kerosene" and a designation as either  
6 33 "K1" or "K2", and shall indicate that the kerosene is in  
6 34 compliance with the standard specification adopted by ~~the~~  
6 35 A.S.T.M. ~~in~~ international specification D=3699 (1982).

7 1 2. A product commonly known as kerosene and distillate or  
7 2 a petroleum product of lower gravity (Baume scale), when not  
7 3 used to propel a motor vehicle or for compounding or combining  
7 4 with a motor fuel, are exempt from this chapter except as  
7 5 provided in this section.

7 6 Sec. 10. Section 214A.3, Code 2005, is amended to read as  
7 7 follows:

7 8 ~~214A.3 FALSE REPRESENTATIONS ADVERTISING.~~

7 9 A person for purposes of selling shall not falsely  
7 10 represent do any of the following:

7 11 1. Falsely advertise the quality or kind of any motor  
7 12 vehicle fuel or an oxygenate octane enhancer or add which may  
7 13 be added to motor fuel.

7 14 2. Falsely advertise that a motor fuel is a renewable  
7 15 fuel.

7 16 a. The person shall not advertise the sale of motor fuel  
7 17 using the letter "E" followed by a number, such as "E=10" or  
7 18 "E=85", or use the term "ethanol", "ethanol blend", or use any  
7 19 derivative, plural, or compound of any such term unless the  
7 20 motor fuel meets the standards provided in section 214A.2.

7 21 b. The person shall not advertise the sale of motor fuel  
7 22 using the letter "B" followed by a number, such as "B=2", "B=  
7 23 5", or "B=20", or use the term "biodiesel", "biodiesel blend",  
7 24 or use any derivative, plural, or compound of any such term  
7 25 unless the motor fuel meets the standards provided in section  
7 26 214A.2.

7 27 3. Add a coloring matter thereto to motor vehicle fuel for  
7 28 the purpose of misleading the public as to its quality.

7 29 DIVISION II

7 30 RENEWABLE FUEL INFRASTRUCTURE

7 31 Sec. 11. Section 455G.2, Code Supplement 2005, is amended  
7 32 by adding the following new subsections:

7 33 NEW SUBSECTION. 3A. "Biodiesel" and "biodiesel blended  
7 34 fuel" mean the same as defined in section 214A.1.

7 35 NEW SUBSECTION. 8A. "Department" means the department of  
8 1 natural resources created in section 455A.2.

8 2 NEW SUBSECTION. 10A. "E=85 gasoline", "gasoline", "motor  
8 3 fuel", "motor fuel pump", "retail dealer", and "service  
8 4 station" mean the same as defined in section 214A.1.

8 5 NEW SUBSECTION. 15A. "Motor fuel storage and dispensing  
8 6 infrastructure" or "infrastructure" means a tank and motor  
8 7 fuel pumps necessary to keep and dispense motor fuel at a  
8 8 service station, including but not limited to all associated  
8 9 equipment, dispensers, pumps, pipes, hoses, tubes, lines,  
8 10 fittings, valves, filters, seals, and covers.

8 11 SUBCHAPTER III

8 12 RENEWABLE FUEL INFRASTRUCTURE

8 13 Sec. 12. NEW SECTION. 455G.31 APPROPRIATION.

8 14 1. For each fiscal year of the period beginning July 1,  
8 15 2006, and ending June 30, 2009, there is appropriated from the  
8 16 healthy Iowans tobacco trust created in section 12.65 to the  
8 17 renewable fuel infrastructure fund created in section 455G.32  
8 18 seven hundred fifty thousand dollars.

8 19 2. This section is repealed July 1, 2009.

8 20 Sec. 13. NEW SECTION. 455G.32 RENEWABLE FUEL  
8 21 INFRASTRUCTURE FUND.

8 22 1. A renewable fuel infrastructure fund is created in the  
8 23 state treasury under the control of the department. The fund  
8 24 is separate from the general fund of the state.

8 25 2. Moneys in the renewable fuel infrastructure fund are  
8 26 appropriated to the department exclusively to support the  
8 27 renewable fuel infrastructure program as provided in 455G.33.

8 28 a. Of the unobligated and unencumbered balance in the fund  
8 29 on July 1 of a fiscal year and moneys appropriated to the fund  
8 30 for that fiscal year, the department shall not use more than  
8 31 one percent of that amount to pay for the department's  
8 32 administrative expenses necessary to administer the program.

8 33 b. Moneys in the fund shall not be transferred, used,  
8 34 obligated, appropriated, or otherwise encumbered except as  
8 35 necessary to administer the program.

9 1 3. a. Payments of interest, repayments of moneys loaned,  
9 2 and the recaptures of moneys awarded pursuant to the program  
9 3 shall be deposited in the renewable fuel infrastructure fund.

9 4 b. Notwithstanding section 8.33, any unexpended balance in  
9 5 the fund at the end of the fiscal year shall be retained in  
9 6 the fund.

9 7 c. Notwithstanding section 12C.7, subsection 2, interest,  
9 8 earnings on investments, or time deposits of the moneys in the  
9 9 fund shall be credited to the fund.

9 10 Sec. 14. NEW SECTION. 455G.33 RENEWABLE FUEL  
9 11 INFRASTRUCTURE PROGRAM.

9 12 The department, in cooperation with the board, shall  
9 13 establish and administer a renewable fuel infrastructure  
9 14 program as follows:

9 15 1. The purpose of the program is to improve a service  
9 16 station by installing, replacing, or converting motor fuel  
9 17 storage and dispensing infrastructure. The infrastructure  
9 18 must be designed and shall be used exclusively to store and  
9 19 dispense E-85 gasoline, biodiesel, or biodiesel blended fuel  
9 20 on the premises of service stations operated by retail  
9 21 dealers.

9 22 2. The department shall award financial incentives to a  
9 23 person participating in the program. In order to be eligible  
9 24 to participate in the program all of the following must apply:

9 25 a. The person must be an owner or operator of the service  
9 26 station.

9 27 b. The person must apply to the department in a manner and  
9 28 according to procedures required by the department. The  
9 29 application must contain all information required by the  
9 30 department and shall at least include all of the following:

9 31 (1) The name of the person and the address of the service  
9 32 station to be improved.

9 33 (2) A detailed description of the infrastructure to be  
9 34 installed, replaced, or converted, including but not limited  
9 35 to the model number of each installed, replaced, or converted  
10 1 motor fuel storage tank if available.

10 2 (3) A statement describing how the service station is to  
10 3 be improved, the total estimated cost of the planned  
10 4 improvement, and the date when the infrastructure will be  
10 5 first used to store and dispense the renewable fuel.

10 6 (4) A statement certifying that the infrastructure shall  
10 7 not be used to store or dispense motor fuel other than E-85  
10 8 gasoline, biodiesel, or biodiesel blended fuel, unless granted  
10 9 a waiver by the department pursuant to this section.

10 10 3. A service station which is improved using financial  
10 11 incentives must comply with federal and state standards  
10 12 governing new or upgraded motor fuel storage tanks used to  
10 13 store and dispense the renewable fuel. A site classified as a  
10 14 no further action site pursuant to a certificate issued by the  
10 15 department under section 455B.474 shall retain its  
10 16 classification following modifications necessary to store and  
10 17 dispense the renewable fuel and the owner or operator shall  
10 18 not be required to perform a new site assessment unless the  
10 19 site causes a clear, present, and impending danger to the  
10 20 public health or the environment.

10 21 4. a. For the period beginning July 1, 2006, and ending  
10 22 June 30, 2009, the department shall distribute financial  
10 23 incentives to improve service stations located within each of  
10 24 the six geographic regions described in section 173.4A.

10 25 b. The department shall not install, replace, or convert  
10 26 infrastructure associated with more than one motor fuel  
10 27 storage tank or motor fuel pump located at the same service  
10 28 station.

10 29 5. The department's award of financial incentives to a  
10 30 participating person shall be in the form of an interest-free  
10 31 loan.

10 32 a. In order to participate in the program an eligible  
10 33 person must execute a cost-share agreement with the department  
10 34 in which the person contributes a percentage of the total  
10 35 costs related to improving the service station. The financial  
11 1 incentives awarded to the participating person shall not  
11 2 exceed thirty percent of the estimated cost of making the  
11 3 improvements or thirty percent of the actual cost of making  
11 4 the improvements, whichever is less.

11 5 b. The department shall not award more than thirty  
11 6 thousand dollars to improve a service station. The department  
11 7 may make multiple awards to make improvements to a service  
11 8 station so long as the total amount of the awards in all years  
11 9 is not more than thirty thousand dollars.

11 10 c. A participating person shall not use the infrastructure  
11 11 to store or dispense motor fuel other than E-85 gasoline,  
11 12 biodiesel, or biodiesel blended fuel unless one of the  
11 13 following applies:

11 14 (1) The participating person is granted a waiver by the  
11 15 department. The participating person shall store or dispense  
11 16 the motor fuel according to the terms and conditions of the  
11 17 waiver.

11 18 (2) The department is immediately repaid the total amount  
11 19 of moneys awarded to the participating person together with a  
11 20 monetary penalty equal to twenty-five percent of that awarded  
11 21 amount.

11 22 d. A participating person who acts in violation of an

11 23 agreement executed with the department pursuant to this  
11 24 section is subject to a civil penalty of not more than one  
11 25 thousand dollars a day for each day of the violation. The  
11 26 civil penalty shall be deposited into the general fund of the  
11 27 state.

11 28 DIVISION III

11 29 RENEWABLE FUEL TAX CREDIT FOR RETAIL DEALERS

11 30 Sec. 15. Section 422.11C, subsection 1, paragraphs a  
11 31 through g, Code 2005, are amended by striking the paragraphs  
11 32 and inserting in lieu thereof the following:

11 33 a. "E=85 gasoline", "ethanol blended gasoline",  
11 34 "gasoline", "retail dealer", and "service station" mean the  
11 35 same as defined in section 214A.1.

12 1 b. "Motor fuel pump" means the same as motor vehicle fuel  
12 2 pump as defined in section 214.1.

12 3 c. "Sell" means to sell on a retail basis.

12 4 d. "Tax credit" means the designated ethanol blended  
12 5 gasoline tax credit as provided in this section.

12 6 Sec. 16. Section 422.11C, subsection 2, paragraph b, Code  
12 7 2005, is amended to read as follows:

12 8 b. The taxpayer operates at least one service station at  
12 9 which more than sixty percent of the total gallons of gasoline  
12 10 sold and dispensed through one or more ~~metered motor fuel~~  
12 11 pumps by the taxpayer in the tax year is ethanol blended  
12 12 gasoline.

12 13 Sec. 17. Section 422.11C, subsection 3, Code 2005, is  
12 14 amended to read as follows:

12 15 3. The tax credit shall be calculated separately for each  
12 16 service station site operated by the taxpayer. The amount of  
12 17 the tax credit for each eligible service station is two and  
12 18 one-half cents multiplied by the total number of gallons of  
12 19 ethanol blended gasoline sold and dispensed through all  
12 20 ~~metered motor fuel~~ pumps located at that service station  
12 21 during the tax year in excess of sixty percent of all gasoline  
12 22 sold and dispensed through ~~metered motor fuel~~ pumps at that  
12 23 service station during the tax year.

12 24 Sec. 18. NEW SECTION. 422.11M E=85 GASOLINE TAX CREDIT.

12 25 1. As used in this section, unless the context otherwise  
12 26 requires:

12 27 a. "E=85 gasoline", "retail dealer", and "service station"  
12 28 mean the same as defined in section 214A.1.

12 29 b. "Motor fuel pump" means the same as defined in section  
12 30 214A.1.

12 31 c. "Sell" means to sell on a retail basis.

12 32 d. "Tax credit" means an E=85 gasoline tax credit as  
12 33 provided in this section.

12 34 2. For the tax year beginning January 1, 2007, the  
12 35 designated rate for the tax credit is twenty cents. After  
13 1 that the department shall determine the designated rate based  
13 2 on an annual distribution amount which is the total number of  
13 3 gallons of E=85 gasoline that have been sold and distributed  
13 4 from all motor fuel pumps located at all service stations for  
13 5 a determination period beginning on July 1 and ending June 30.  
13 6 The first determination period begins July 1, 2006, and ends  
13 7 June 30, 2007. The last determination period begins July 1,  
13 8 2009, and ends June 30, 2010. At the end of a determination  
13 9 period, the department shall calculate the aggregate  
13 10 distribution amount which combines the annual distribution  
13 11 amount for that determination period with the annual  
13 12 distribution amount for each previous determination period.

13 13 a. If at the end of a determination period the aggregate  
13 14 distribution amount is three and one half million gallons of  
13 15 E=85 gasoline or less, the designated rate for the following  
13 16 tax year is twenty cents.

13 17 b. If at the end of a determination period the aggregate  
13 18 distribution amount is three and one-half million gallons of  
13 19 E=85 gasoline or more but less than five and one-half million  
13 20 gallons of E=85 gasoline, the designated rate for the  
13 21 following tax year is fifteen cents.

13 22 c. If at the end of a determination period the aggregate  
13 23 distribution amount is five and one-half million gallons of E=  
13 24 85 gasoline or more but less than seven and one-half million  
13 25 gallons of E=85 gasoline, the designated rate for the  
13 26 following tax year is ten cents.

13 27 3. The taxes imposed under this division, less the credits  
13 28 allowed under sections 422.12 and 422.12B, shall be reduced by  
13 29 the amount of the E=85 gasoline tax credit for each tax year  
13 30 that the taxpayer is eligible to claim under this section.

13 31 a. In order to be eligible, all of the following must  
13 32 apply:

13 33 (1) The taxpayer is a retail dealer who owns or operates

13 34 at least one service station at which E=85 gasoline is sold  
13 35 and dispensed through a motor fuel pump in the tax year in  
14 1 which the tax credit is claimed.

14 2 (2) The taxpayer complies with requirements of the  
14 3 department established to administer this section.

14 4 b. The tax credit shall be calculated for each service  
14 5 station owned or operated by the taxpayer in the tax year in  
14 6 which the tax credit is claimed. The amount of the tax credit  
14 7 is calculated by multiplying the designated rate by the total  
14 8 number of gallons of E=85 gasoline sold and dispensed through  
14 9 all motor fuel pumps located at that service station during  
14 10 the tax year.

14 11 4. Any credit in excess of the taxpayer's tax liability  
14 12 shall be refunded. In lieu of claiming a refund, the taxpayer  
14 13 may elect to have the overpayment shown on the taxpayer's  
14 14 final, completed return credited to the tax liability for the  
14 15 following tax year.

14 16 5. An individual may claim the tax credit allowed a  
14 17 partnership, limited liability company, S corporation, estate,  
14 18 or trust electing to have the income taxed directly to the  
14 19 individual. The amount claimed by the individual shall be  
14 20 based upon the pro rata share of the individual's earnings of  
14 21 the partnership, limited liability company, S corporation,  
14 22 estate, or trust.

14 23 6. This section is repealed on the earliest of the  
14 24 following dates:

14 25 a. July 1 following the end of a determination period in  
14 26 which the department determines that the aggregate  
14 27 distribution amount is seven and one-half million gallons of  
14 28 E=85 gasoline or more as provided in this section. The  
14 29 department shall notify the Code editor in writing of the  
14 30 aggregate distribution amount and include a citation to this  
14 31 section and section 422.33.

14 32 b. July 1, 2012.

14 33 Sec. 19. NEW SECTION. 422.11N BIODIESEL BLENDED FUEL TAX  
14 34 CREDIT.

14 35 1. As used in this section, unless the context otherwise  
15 1 requires:

15 2 a. "Biodiesel blended fuel", "diesel fuel", "retail  
15 3 dealer", and "service station" mean the same as defined in  
15 4 section 214A.1.

15 5 b. "Motor fuel pump" means the same as defined in section  
15 6 214.1.

15 7 c. "Sell" means to sell on a retail basis.

15 8 d. "Tax credit" means a biodiesel blended fuel tax credit  
15 9 as provided in this section.

15 10 2. The taxes imposed under this division, less the credits  
15 11 allowed under sections 422.12 and 422.12B, shall be reduced by  
15 12 the amount of the biodiesel blended fuel tax credit for each  
15 13 tax year that the taxpayer is eligible to claim under this  
15 14 subsection.

15 15 a. In order to be eligible, all of the following must  
15 16 apply:

15 17 (1) The taxpayer is a retail dealer who owns or operates  
15 18 at least one service station at which biodiesel blended fuel  
15 19 is sold and dispensed through a motor fuel pump in the tax  
15 20 year in which the tax credit is claimed.

15 21 (2) The taxpayer complies with requirements of the  
15 22 department established to administer this section.

15 23 b. The tax credit shall be calculated for each service  
15 24 station owned or operated by the taxpayer in the tax year in  
15 25 which the tax credit is claimed. The tax credit shall apply  
15 26 to biodiesel blended fuel formulated with a minimum percentage  
15 27 of two percent by volume of biodiesel, if the formulation  
15 28 meets the standards provided in section 214A.2. The amount of  
15 29 the tax credit is calculated by multiplying a designated rate  
15 30 by the total number of gallons of biodiesel blended fuel sold  
15 31 and dispensed through all motor fuel pumps located at that  
15 32 service station during the tax year. The designated rate is  
15 33 as follows:

15 34 (1) Three cents per gallon of biodiesel for all gallons of  
15 35 biodiesel blended fuel which is fifty percent or more but less  
16 1 than sixty percent of all diesel fuel sold and dispensed  
16 2 through the motor fuel pumps at the service station.

16 3 (2) Four cents per gallon of biodiesel for all gallons of  
16 4 biodiesel blended fuel which is sixty percent or more but less  
16 5 than seventy percent of all diesel fuel sold and dispensed  
16 6 through the motor fuel pumps at the service station.

16 7 (3) Five cents per gallon of biodiesel for all gallons of  
16 8 biodiesel blended fuel which is seventy percent or more of all  
16 9 diesel fuel sold and dispensed through the motor fuel pumps at

16 10 the service station.

16 11 3. Any credit in excess of the taxpayer's tax liability  
16 12 shall be refunded. In lieu of claiming a refund, the taxpayer  
16 13 may elect to have the overpayment shown on the taxpayer's  
16 14 final, completed return credited to the tax liability for the  
16 15 following tax year.

16 16 4. An individual may claim the tax credit allowed a  
16 17 partnership, limited liability company, S corporation, estate,  
16 18 or trust electing to have the income taxed directly to the  
16 19 individual. The amount claimed by the individual shall be  
16 20 based upon the pro rata share of the individual's earnings of  
16 21 the partnership, limited liability company, S corporation,  
16 22 estate, or trust.

16 23 5. This section is repealed January 1, 2012.

16 24 Sec. 20. Section 422.33, subsection 11, paragraph a,  
16 25 subparagraph (1), Code Supplement 2005, is amended to read as  
16 26 follows:

16 27 (1) ~~"Ethanol "E=85 gasoline", "ethanol blended gasoline",~~  
16 28 ~~"gasoline", "metered pump", "motor fuel pump", "retail~~  
16 29 ~~dealer", "sell", and "service station" mean the same as~~  
16 30 defined in section 422.11C.

16 31 Sec. 21. Section 422.33, subsection 11, paragraph b,  
16 32 subparagraph (2), Code Supplement 2005, is amended to read as  
16 33 follows:

16 34 (2) The taxpayer operates at least one service station at  
16 35 which more than sixty percent of the total gallons of gasoline  
17 1 sold and dispensed through one or more ~~metered motor fuel~~  
17 2 pumps by the taxpayer is ethanol blended gasoline.

17 3 Sec. 22. Section 422.33, subsection 11, paragraph c, Code  
17 4 Supplement 2005, is amended to read as follows:

17 5 c. (1) The tax credit shall be calculated separately for  
17 6 each service station site operated by the taxpayer.

17 7 (2) The amount of the tax credit for each eligible service  
17 8 station is two and one-half cents multiplied by the total  
17 9 number of gallons of ethanol blended gasoline sold and  
17 10 dispensed through all ~~metered motor fuel~~ pumps located at that  
17 11 service station during the tax year in excess of sixty percent  
17 12 of all gasoline sold and dispensed through ~~metered motor fuel~~  
17 13 pumps at that service station during the tax year.

17 14 (3) ~~The tax credit is not allowed for E=85 gasoline if the~~  
17 15 ~~taxpayer claims an E=85 gasoline tax credit as provided in~~  
17 16 ~~this subsection for the same tax year that the taxpayer may~~  
17 17 ~~claim an ethanol blended gasoline tax credit as provided in~~  
17 18 ~~this section.~~

17 19 Sec. 23. Section 422.33, Code Supplement 2005, is amended  
17 20 by adding the following new subsection.

17 21 NEW SUBSECTION. 11A. The taxes imposed under this  
17 22 division shall be reduced by an E=85 gasoline tax credit for  
17 23 each tax year that the taxpayer is eligible to claim the tax  
17 24 credit under this subsection.

17 25 a. The department shall determine the designated rate for  
17 26 the tax credit in the same manner as provided in section  
17 27 422.11M. The taxpayer may claim the E=85 gasoline tax credit  
17 28 according to the same requirements, for the same amount, and  
17 29 calculated in the same manner, as provided for the E=85  
17 30 gasoline tax credit pursuant to section 422.11M.

17 31 b. Any E=85 gasoline tax credit which is in excess of the  
17 32 taxpayer's tax liability shall be refunded or may be shown on  
17 33 the taxpayer's final, completed return credited to the tax  
17 34 liability for the following tax year in the same manner as  
17 35 provided in section 422.11M.

18 1 c. This subsection is repealed on the same date as section  
18 2 422.11M is repealed.

18 3 Sec. 24. Section 422.33, Code Supplement 2005, is amended  
18 4 by adding the following new subsection.

18 5 NEW SUBSECTION. 11B. The taxes imposed under this  
18 6 division shall be reduced by a biodiesel blended fuel tax  
18 7 credit for each tax year that the taxpayer is eligible to  
18 8 claim the tax credit under this subsection.

18 9 a. The taxpayer may claim the biodiesel blended fuel tax  
18 10 credit according to the same requirements, for the same  
18 11 amount, and calculated in the same manner, as provided for the  
18 12 biodiesel blended fuel tax credit pursuant to section 422.11N.

18 13 b. Any biodiesel blended fuel tax credit which is in  
18 14 excess of the taxpayer's tax liability shall be refunded or  
18 15 may be shown on the taxpayer's final, completed return  
18 16 credited to the tax liability for the following tax year in  
18 17 the same manner as provided in section 422.11N.

18 18 c. This subsection is repealed January 1, 2012.

18 19 Sec. 25. APPLICABILITY DATE. Sections 422.11M and  
18 20 422.11N, as enacted in this Act, and section 422.33,

18 21 subsections 11A and 11B, as enacted in this Act, apply to tax  
18 22 years beginning on or after January 1, 2007.

18 23 DIVISION IV

18 24 COORDINATING PROVISIONS == GOVERNMENT VEHICLES

18 25 Sec. 26. Section 8A.362, subsection 3, Code 2005, is  
18 26 amended to read as follows:

18 27 3. a. The director shall provide for a record system for  
18 28 the keeping of records of the total number of miles state=  
18 29 owned motor vehicles are driven and the per=  
18 30 operation of each motor vehicle. Every state officer or  
18 31 employee shall keep a record book to be furnished by the  
18 32 director in which the officer or employee shall enter all  
18 33 purchases of gasoline, lubricating oil, grease, and other  
18 34 incidental expense in the operation of the motor vehicle  
18 35 assigned to the officer or employee, giving the quantity and  
19 1 price of each purchase, including the cost and nature of all  
19 2 repairs on the motor vehicle. Each operator of a state=  
19 3 motor vehicle shall promptly prepare a report at the end of  
19 4 each month on forms furnished by the director and forwarded to  
19 5 the director, giving the information the director may request  
19 6 in the report. Each month the director shall compile the  
19 7 costs and mileage of state-owned motor vehicles from the  
19 8 reports and keep a cost history for each motor vehicle and the  
19 9 costs shall be reduced to a cost=  
19 10 vehicle. The director shall call to the attention of an  
19 11 elected official or the head of any state agency to which a  
19 12 motor vehicle has been assigned any evidence of the  
19 13 mishandling or misuse of a state-owned motor vehicle which is  
19 14 called to the director's attention.

19 15 b. A motor vehicle operated under this subsection shall  
19 16 not operate on gasoline other than ethanol blended gasoline  
19 17 ~~blended with at least ten percent ethanol as defined in~~  
19 18 ~~section 214A.1~~, unless under emergency circumstances. A  
19 19 state-issued credit card used to purchase gasoline shall not  
19 20 be valid to purchase gasoline other than ethanol blended  
19 21 gasoline ~~blended with at least ten percent ethanol~~, if  
19 22 commercially available. The motor vehicle shall also be  
19 23 affixed with a brightly visible sticker which notifies the  
19 24 traveling public that the motor vehicle is being operated on  
19 25 ethanol blended gasoline ~~blended with ethanol~~. However, the  
19 26 sticker is not required to be affixed to an unmarked vehicle  
19 27 used for purposes of providing law enforcement or security.

19 28 Sec. 27. Section 8A.362, subsection 5, paragraph a,  
19 29 subparagraphs (1) and (2), Code 2005, are amended to read as  
19 30 follows:

19 31 (1) ~~A fuel blended with not more than fifteen percent E=85~~  
19 32 ~~gasoline and at least eighty-five percent ethanol as defined~~  
19 33 ~~in section 214A.1.~~

19 34 (2) ~~A B=20 biodiesel blended fuel which is a mixture of~~  
19 35 ~~diesel fuel and processed soybean oil as defined in section~~  
20 1 ~~214A.1. At least twenty percent of the mixed fuel by volume~~  
20 2 ~~must be processed soybean oil.~~

20 3 Sec. 28. Section 216B.3, subsection 16, paragraph a, Code  
20 4 2005, is amended to read as follows:

20 5 a. A motor vehicle purchased by the commission shall not  
20 6 operate on gasoline other than ethanol blended gasoline  
20 7 ~~blended with at least ten percent ethanol~~. A state issued  
20 8 credit card used to purchase gasoline shall not be valid to  
20 9 purchase gasoline other than ethanol blended gasoline ~~blended~~  
20 10 ~~with at least ten percent ethanol~~. The motor vehicle shall  
20 11 also be affixed with a brightly visible sticker which notifies  
20 12 the traveling public that the motor vehicle is being operated  
20 13 on ethanol blended gasoline ~~blended with ethanol~~. However,  
20 14 the sticker is not required to be affixed to an unmarked  
20 15 vehicle used for purposes of providing law enforcement or  
20 16 security.

20 17 Sec. 29. Section 216B.3, subsection 16, paragraph b,  
20 18 subparagraph (1), subparagraph subdivisions (a) and (b), Code  
20 19 2005, are amended to read as follows:

20 20 (a) ~~A fuel blended with not more than fifteen percent E=85~~  
20 21 ~~gasoline and at least eighty-five percent ethanol as defined~~  
20 22 ~~in section 214A.1.~~

20 23 (b) ~~A B=20 biodiesel blended fuel which is a mixture of~~  
20 24 ~~diesel fuel and processed soybean oil as defined in section~~  
20 25 ~~214A.1. At least twenty percent of the mixed fuel by volume~~  
20 26 ~~must be processed soybean oil.~~

20 27 Sec. 30. Section 260C.19A, subsection 1, Code 2005, is  
20 28 amended to read as follows:

20 29 1. A motor vehicle purchased by or used under the  
20 30 direction of the board of directors to provide services to a  
20 31 merged area shall not operate on gasoline other than ethanol

~~20 32 blended gasoline blended with at least ten percent ethanol as~~  
~~20 33 defined in section 214A.1. The motor vehicle shall also be~~  
20 34 affixed with a brightly visible sticker which notifies the  
20 35 traveling public that the motor vehicle is being operated on  
21 1 ~~ethanol blended gasoline blended with ethanol.~~ However, the  
21 2 sticker is not required to be affixed to an unmarked vehicle  
21 3 used for purposes of providing law enforcement or security.  
21 4 Sec. 31. Section 260C.19A, subsection 2, paragraph a,  
21 5 subparagraphs (1) and (2), Code 2005, are amended to read as  
21 6 follows:

21 7 (1) ~~A fuel blended with not more than fifteen percent E=85~~  
21 8 ~~gasoline and at least eighty-five percent ethanol as defined~~  
21 9 ~~in section 214A.1.~~

21 10 (2) ~~A B=20 biodiesel blended fuel which is a mixture of~~  
~~21 11 diesel fuel and processed soybean oil as defined in section~~  
21 12 ~~214A.1. At least twenty percent of the mixed fuel by volume~~  
21 13 ~~must be processed soybean oil.~~

21 14 Sec. 32. Section 262.25A, subsection 2, Code 2005, is  
21 15 amended to read as follows:

21 16 2. A motor vehicle purchased by the institutions shall not  
21 17 operate on gasoline other than gasoline blended with at least  
21 18 ten percent ethanol. A state-issued credit card used to  
21 19 purchase gasoline shall not be valid to purchase gasoline  
21 20 other than ~~ethanol blended gasoline blended with at least ten~~  
21 21 ~~percent ethanol as defined in section 214A.1.~~ The motor  
21 22 vehicle shall also be affixed with a brightly visible sticker  
21 23 which notifies the traveling public that the motor vehicle is  
21 24 being operated on ~~ethanol blended gasoline blended with~~  
21 25 ~~ethanol.~~ However, the sticker is not required to be affixed  
21 26 to an unmarked vehicle used for purposes of providing law  
21 27 enforcement or security.

21 28 Sec. 33. Section 262.25A, subsection 3, paragraph a,  
21 29 subparagraphs (1) and (2), Code 2005, are amended to read as  
21 30 follows:

21 31 (1) ~~A fuel blended with not more than fifteen percent E=85~~  
21 32 ~~gasoline and at least eighty-five percent ethanol as defined~~  
21 33 ~~in section 214A.1.~~

21 34 (2) ~~A B=20 biodiesel blended fuel which is a mixture of~~  
~~21 35 processed soybean oil and diesel fuel as defined in section~~  
22 1 ~~214A.1. At least twenty percent of the fuel by volume must be~~  
22 2 ~~processed soybean oil.~~

22 3 Sec. 34. Section 279.34, Code 2005, is amended to read as  
22 4 follows:

22 5 279.34 MOTOR VEHICLES REQUIRED TO OPERATE ON ~~ETHANOL=~~  
22 6 ~~BLENDDED ETHANOL BLENDED GASOLINE.~~

22 7 A motor vehicle purchased by or used under the direction of  
22 8 the board of directors to provide services to a school  
22 9 corporation shall not, on or after January 1, 1993, operate on  
22 10 gasoline other than ~~ethanol blended gasoline blended with at~~  
22 11 ~~least ten percent ethanol.~~ The motor vehicle shall also be  
22 12 affixed with a brightly visible sticker which notifies the  
22 13 traveling public that the motor vehicle is being operated on  
22 14 ~~ethanol blended gasoline blended with ethanol.~~ However, the  
22 15 sticker is not required to be affixed to an unmarked vehicle  
22 16 used for purposes of providing law enforcement or security.

22 17 Sec. 35. Section 307.21, subsection 4, paragraph d, Code  
22 18 2005, is amended to read as follows:

22 19 d. A motor vehicle purchased by the administrator shall  
22 20 not operate on gasoline other than ~~ethanol blended gasoline~~  
22 21 ~~blended with at least ten percent ethanol as defined in~~  
22 22 ~~section 214A.1.~~ A state-issued credit card used to purchase  
22 23 gasoline shall not be valid to purchase gasoline other than  
22 24 ~~ethanol blended gasoline blended with at least ten percent~~  
22 25 ~~ethanol.~~ The motor vehicle shall also be affixed with a  
22 26 brightly visible sticker which notifies the traveling public  
22 27 that the motor vehicle is being operated on ~~ethanol blended~~  
22 28 ~~gasoline blended with ethanol.~~ However, the sticker is not  
22 29 required to be affixed to an unmarked vehicle used for  
22 30 purposes of providing law enforcement or security.

22 31 Sec. 36. Section 307.21, subsection 5, paragraph a,  
22 32 subparagraphs (1) and (2), Code 2005, are amended to read as  
22 33 follows:

22 34 (1) ~~A fuel blended with not more than fifteen percent E=85~~  
22 35 ~~gasoline and at least eighty-five percent ethanol as defined~~  
23 1 ~~in section 214A.1.~~

23 2 (2) ~~A B=20 biodiesel blended fuel which is a mixture of~~  
~~23 3 processed soybean oil and diesel fuel as defined in section~~  
23 4 ~~214A.1. At least twenty percent of the fuel by volume must be~~  
23 5 ~~processed soybean oil.~~

23 6 Sec. 37. Section 331.908, Code 2005, is amended to read as  
23 7 follows:

23 8 331.908 MOTOR VEHICLES REQUIRED TO OPERATE ON ~~ETHANOL=~~  
23 9 ~~BLENDED ETHANOL BLENDED GASOLINE.~~  
23 10 A motor vehicle purchased or used by a county to provide  
23 11 county services shall not, ~~on or after January 1, 1993,~~  
23 12 operate on gasoline other than ethanol blended gasoline  
23 13 ~~blended with at least ten percent ethanol as defined in~~  
23 14 ~~section 214A.1.~~ The motor vehicle shall also be affixed with  
23 15 a brightly visible sticker which notifies the traveling public  
23 16 that the motor vehicle is being operated on ethanol blended  
23 17 gasoline ~~blended with ethanol.~~ However, the sticker is not  
23 18 required to be affixed to an unmarked vehicle used for  
23 19 purposes of providing law enforcement or security.

23 20 Sec. 38. Section 364.20, Code 2005, is amended to read as  
23 21 follows:

23 22 364.20 MOTOR VEHICLES REQUIRED TO OPERATE ON ~~ETHANOL=~~  
23 23 ~~BLENDED ETHANOL BLENDED GASOLINE.~~

23 24 A motor vehicle purchased or used by a city to provide city  
23 25 services shall not, ~~on or after January 1, 1993,~~ operate on  
23 26 gasoline other than ethanol blended gasoline ~~blended with at~~  
23 27 ~~least ten percent ethanol as defined in section 214A.1.~~ The  
23 28 motor vehicle shall also be affixed with a brightly visible  
23 29 sticker which notifies the traveling public that the motor  
23 30 vehicle is being operated on ethanol blended gasoline ~~blended~~  
23 31 ~~with ethanol.~~ However, the sticker is not required to be  
23 32 affixed to an unmarked vehicle used for purposes of providing  
23 33 law enforcement or security.

23 34 Sec. 39. Section 904.312A, subsection 1, Code 2005, is  
23 35 amended to read as follows:

24 1 1. A motor vehicle purchased by the department shall not  
24 2 operate on gasoline other than ethanol blended gasoline  
24 3 ~~blended with at least ten percent ethanol as defined in~~  
24 4 ~~section 214A.1.~~ A state-issued credit card used to purchase  
24 5 gasoline shall not be valid to purchase gasoline other than  
24 6 ethanol blended gasoline ~~blended with at least ten percent~~  
24 7 ~~ethanol.~~ The motor vehicle shall also be affixed with a  
24 8 brightly visible sticker which notifies the traveling public  
24 9 that the motor vehicle is being operated on ethanol blended  
24 10 gasoline ~~blended with ethanol.~~ However, the sticker is not  
24 11 required to be affixed to an unmarked vehicle used for  
24 12 purposes of providing law enforcement or security.

24 13 Sec. 40. Section 904.312A, subsection 2, paragraph a,  
24 14 subparagraphs (1) and (2), Code 2005, are amended to read as  
24 15 follows:

24 16 (1) ~~A fuel blended with not more than fifteen percent E=85~~  
24 17 ~~gasoline and at least eighty-five percent ethanol as defined~~  
24 18 ~~in section 214A.1.~~

24 19 (2) ~~A B=20 biodiesel blended fuel which is a mixture of~~  
24 20 ~~diesel fuel and processed soybean oil as defined in section~~  
24 21 ~~214A.1. At least twenty percent of the mixed fuel by volume~~  
24 22 ~~must be processed soybean oil.~~

24 23 DIVISION V  
24 24 COORDINATING PROVISIONS == MISCELLANEOUS  
24 25 Sec. 41. Section 15.401, Code Supplement 2005, is amended  
24 26 to read as follows:

24 27 15.401 ~~E-85 BLENDED GASOLINE RENEWABLE FUELS.~~  
24 28 1. ~~As used in this section, unless the context otherwise~~  
24 29 ~~requires, "biodiesel", "biodiesel blended fuel", "E=85~~  
24 30 ~~gasoline" and "service station" mean the same as defined in~~  
24 31 ~~section 214A.1.~~

24 32 2. The department shall provide a cost-share program for  
24 33 financial incentives for the installation or conversion of  
24 34 infrastructure used by service stations to do all of the  
24 35 following:

25 1 a. ~~sell~~ Sell and dispense E=85 ~~blended~~ gasoline and for  
25 2 ~~the installation or conversion of.~~  
25 3 b. Install or convert infrastructure required to establish  
25 4 on-site and off-site terminal facilities that store biodiesel  
25 5 or biodiesel blended fuel for distribution to service  
25 6 stations.

25 7 3. The department shall provide for an addition of at  
25 8 least thirty new or converted E=85 gasoline retail outlets and  
25 9 four new or converted on-site or off-site terminal facilities  
25 10 with a maximum expenditure of three hundred twenty-five  
25 11 thousand dollars per year for the fiscal period beginning July  
25 12 1, 2005, and ending June 30, 2008. The department may provide  
25 13 for the marketing of these products in conjunction with this  
25 14 infrastructure program.

25 15 Sec. 42. Section 159A.2, Code 2005, is amended by adding  
25 16 the following new subsections:  
25 17 NEW SUBSECTION. 0A. "Biodiesel" and "biodiesel blended  
25 18 fuel" mean the same as defined in section 214A.1.

25 19 NEW SUBSECTION. 3A. "Department" means the department of  
25 20 agriculture and land stewardship.

25 21 NEW SUBSECTION. 3B. "Ethanol blended gasoline" means the  
25 22 same as defined in section 214A.1.

25 23 Sec. 43. Section 159A.2, subsection 6, Code 2005, is  
25 24 amended by striking the subsection and inserting in lieu  
25 25 thereof the following:

25 26 6. "Renewable fuel" means the same as defined in section  
25 27 214A.1.

25 28 Sec. 44. Section 159A.2, subsection 8, Code 2005, is  
25 29 amended by striking the subsection.

25 30 Sec. 45. Section 159A.3, subsection 3, Code 2005, is  
25 31 amended to read as follows:

25 32 3. a. A chief purpose of the office is to further the  
25 33 production and consumption of ethanol ~~fuel~~ blended gasoline in  
25 34 this state. The office shall be the primary state agency  
25 35 charged with the responsibility to promote public consumption  
26 1 of ethanol ~~fuel~~ blended gasoline.

26 2 b. The office shall promote the production and consumption  
26 3 of ~~soydiesel fuel~~ biodiesel and biodiesel blended fuel in this  
26 4 state.

26 5 Sec. 46. Section 214A.19, subsection 1, unnumbered  
26 6 paragraph 1, Code 2005, is amended to read as follows:

26 7 The department of natural resources, conditioned upon the  
26 8 availability of funds, is authorized to award demonstration  
26 9 grants to persons who purchase vehicles which operate on  
26 10 alternative fuels, including but not limited to, ~~high blend~~  
26 11 ~~ethanol E-85 gasoline, biodiesel, compressed natural gas,~~  
26 12 electricity, solar energy, or hydrogen. A grant shall be for  
26 13 the purpose of conducting research connected with the fuel or  
26 14 the vehicle, and not for the purchase of the vehicle itself,  
26 15 except that the money may be used for the purchase of the  
26 16 vehicle if all of the following conditions are satisfied:

26 17 Sec. 47. Section 307.20, Code 2005, is amended to read as  
26 18 follows:

26 19 307.20 BIODIESEL AND BIODIESEL BLENDED FUEL REVOLVING  
26 20 FUND.

26 21 1. A biodiesel and biodiesel blended fuel revolving fund  
26 22 is created in the state treasury. The biodiesel and biodiesel  
26 23 blended fuel revolving fund shall be administered by the  
26 24 department and shall consist of moneys received from the sale  
26 25 of EPAct credits banked by the department on April 19, 2001,  
26 26 moneys appropriated by the general assembly, and any other  
26 27 moneys obtained or accepted by the department for deposit in  
26 28 the fund. Moneys in the fund are appropriated to and shall be  
26 29 used by the department for the purchase of biodiesel and  
26 30 biodiesel blended fuel for use in department vehicles. The  
26 31 department shall submit an annual report not later than  
26 32 January 31 to the members of the general assembly and the  
26 33 legislative services agency, of the expenditures made from the  
26 34 fund during the preceding fiscal year. Section 8.33 does not  
26 35 apply to any moneys in the fund and, notwithstanding section  
27 1 12C.7, subsection 2, earnings or interest on moneys deposited  
27 2 in the fund shall be credited to the fund.

27 3 2. A department departmental motor vehicle operating ~~on~~  
27 4 using biodiesel or biodiesel blended fuel shall be affixed  
27 5 with a brightly visible sticker that notifies the traveling  
27 6 public that the motor vehicle uses biodiesel blended fuel.

27 7 3. For purposes of this section the following definitions  
27 8 apply:

27 9 a. ~~"Biodiesel"~~ "Biodiesel" and "biodiesel blended fuel"  
27 10 ~~means soydiesel fuel~~ mean the same as defined in section  
27 11 ~~159A.2 214A.1.~~

27 12 b. "EPAct credit" means a credit issued pursuant to the  
27 13 federal Energy Policy Act (EPAct), 42 U.S.C. } 13201 et seq.

27 14 Sec. 48. Section 452A.2, subsection 2, Code Supplement  
27 15 2005, is amended by striking the subsection and inserting in  
27 16 lieu thereof the following:

27 17 2. "Biodiesel" and "biodiesel blended fuel" mean the same  
27 18 as defined in section 214A.1.

27 19 Sec. 49. Section 452A.2, subsection 3, Code Supplement  
27 20 2005, is amended to read as follows:

27 21 3. "Blender" means a person who owns and blends ~~alcohol~~  
27 22 ethanol with gasoline to produce ethanol blended gasoline and  
27 23 blends the product at a nonterminal location. The ~~blender~~  
27 24 person is not restricted to blending ~~alcohol ethanol~~ with  
27 25 gasoline. Products blended with gasoline other than ~~grain~~  
27 26 ~~alcohol ethanol~~ are taxed as gasoline. "Blender" also means a  
27 27 person blending two or more special fuel products at a  
27 28 nonterminal location where the tax has not been paid on all of  
27 29 the products blended. This blend is taxed as a special fuel.

27 30 Sec. 50. Section 452A.2, Code Supplement 2005, is amended  
27 31 by adding the following new subsection:  
27 32 NEW SUBSECTION. 9A. "E=85 gasoline" means the same as  
27 33 defined in section 214A.1.

27 34 Sec. 51. Section 452A.2, subsection 11, Code Supplement  
27 35 2005, is amended to read as follows:  
28 1 11. "Ethanol blended gasoline" means ~~motor fuel containing~~  
28 2 ~~at least ten percent alcohol distilled from cereal grains the~~  
28 3 ~~same as defined in section 214A.1.~~

28 4 Sec. 52. Section 452A.2, subsection 19, unnumbered  
28 5 paragraph 1, Code Supplement 2005, is amended to read as  
28 6 follows:  
28 7 "Motor fuel" means ~~both motor fuel as defined in section~~  
28 8 ~~214A.1 and includes all of the following:~~

28 9 Sec. 53. Section 452A.2, subsection 21, Code Supplement  
28 10 2005, is amended to read as follows:  
28 11 21. "Nonterminal storage facility" means a facility where  
28 12 motor fuel or special fuel, other than liquefied petroleum  
28 13 gas, is stored that is not supplied by a pipeline or a marine  
28 14 vessel. "Nonterminal storage facility" includes a facility  
28 15 that manufactures products such as ~~alcohol~~ ethanol as defined  
28 16 in section 214A.1, biofuel, blend stocks, or additives which  
28 17 may be used as motor fuel or special fuel, other than  
28 18 liquefied petroleum gas, for operating motor vehicles or  
28 19 aircraft.

28 20 Sec. 54. Section 452A.3, subsection 1B, Code Supplement  
28 21 2005, is amended to read as follows:  
28 22 1B. An excise tax of seventeen cents is imposed on each  
28 23 gallon of E=85 gasoline, ~~which contains at least eighty-five~~  
28 24 ~~percent denatured alcohol by volume from the first day of~~  
28 25 ~~April until the last day of October or seventy percent~~  
28 26 ~~denatured alcohol from the first day of November until the~~  
28 27 ~~last day of March, used for the privilege of operating motor~~  
28 28 ~~vehicles in this state as defined in section 214A.1, subject~~  
28 29 ~~to the determination provided in subsection 1C.~~

28 30 Sec. 55. Section 452A.6, Code 2005, is amended to read as  
28 31 follows:  
28 32 452A.6 ETHANOL BLENDED GASOLINE AND OTHER PRODUCTS ==  
28 33 BLENDER'S LICENSE.

28 34 1. a. A person other than a supplier, restrictive  
28 35 supplier, or importer licensed under this division, who blends  
29 1 gasoline with ~~alcohol distilled from cereal grains so that the~~  
29 2 ~~blend contains at least ten percent alcohol distilled from~~  
29 3 ~~cereal grains~~ ethanol as defined in section 214A.1 in order to  
29 4 formulate ethanol blended gasoline, shall obtain a blender's  
29 5 license.

29 6 b. A person who blends two or more special fuel products  
29 7 or sells one hundred percent biofuel shall obtain a blender's  
29 8 license.

29 9 2. ~~The A blender's~~ license shall be obtained by following  
29 10 the procedure under section 452A.4 and the blender's license  
29 11 is subject to the same restrictions as contained in that  
29 12 section.

29 13 3. A blender required to obtain a license pursuant to this  
29 14 section shall maintain records as required by section 452A.10  
29 15 as to motor fuel, ~~alcohol~~ ethanol, ethanol blended gasoline,  
29 16 and special fuels.

DIVISION VI  
CHANGE OF TERMS

29 17  
29 18  
29 19 Sec. 56. CHANGE OF TERMS.  
29 20 1. Sections 8A.362, 101.21, 159A.4, 214.1, 214.11, 214A.1,  
29 21 214A.2, 214A.4, 214A.5, 214A.7, 214A.8, 214A.9, 214A.10,  
29 22 214A.16, 214A.17, 214A.18, 306C.11, 312.1, 321.40, 321.56,  
29 23 423.14, 452A.63, 452A.66, and 452A.78, Code 2005, are amended  
29 24 by striking from the provisions the words "motor vehicle fuel"  
29 25 and inserting the following: "motor fuel".

29 26 2. Sections 214.1, 214.3, 214.9, 214.11, and 214A.16, Code  
29 27 2005, are amended by striking the words "motor vehicle fuel  
29 28 pump" or "motor vehicle fuel pumps" and inserting the  
29 29 following: "motor fuel pump" or "motor fuel pumps".

29 30 3. Sections 159A.3 and 214A.17, Code 2005, are amended by  
29 31 striking from the provisions the words "oxygenate octane  
29 32 enhancers" and inserting the following: "oxygenates".

29 33 4. Sections 214A.1, 214A.4, 214A.5, 214A.7, 214A.8, and  
29 34 214A.10, Code 2005, are amended by striking from the  
29 35 provisions the words "oxygenate octane enhancer" and inserting  
30 1 the following: "oxygenate".

EXPLANATION

30 2  
30 3 BACKGROUND. The general assembly has enacted a number of  
30 4 Acts which have promoted the production and consumption of  
30 5 ethanol blended gasoline.

30 6 In 1991, the general assembly enacted S.F. 545 (1991 Iowa  
30 7 Acts, ch. 254), which requires that state and local government  
30 8 vehicles operate using ethanol blended gasoline and provides  
30 9 that a state-issued credit card can only be used to purchase  
30 10 ethanol blended gasoline. The provisions state that ethanol  
30 11 blended gasoline must contain at least 10 percent ethanol.

30 12 In 1994, the general assembly enacted H.F. 2337 (1994 Iowa  
30 13 Acts, chapter 1119), which requires that of all new passenger  
30 14 vehicles and light pickup trucks purchased by the department  
30 15 of administrative services, other state agencies, and  
30 16 community colleges, a minimum of 10 percent of those motor  
30 17 vehicles must be equipped with engines which utilize  
30 18 alternative fuels (referred to as alternative methods of  
30 19 propulsion), including a flexible fuel (E=85 gasoline or  
30 20 biodiesel blended gasoline). The alternative fuel  
30 21 requirements do not apply to motor vehicles purchased and  
30 22 directly used for law enforcement or purchased and used for  
30 23 off-road maintenance work or to pull loaded trailers.

30 24 In 2001, the general assembly enacted H.F. 716 (2001 Iowa  
30 25 Acts, ch. 123), which created a tax credit for retail dealers  
30 26 of gasoline who sell ethanol blended gasoline (containing at  
30 27 least 10 percent alcohol). The tax credit applies to both  
30 28 taxpayers filing as individuals under Code section 422.11C and  
30 29 businesses under Code section 422.33. Specifically, the Act  
30 30 provided a tax credit for a retail dealer who operates at  
30 31 least one service station at which more than 60 percent of the  
30 32 total gallons of gasoline sold by the retail dealer is ethanol  
30 33 blended gasoline.

30 34 The Act also amended provisions in Code section 452A.3 that  
30 35 provide for an excise tax on each gallon of motor fuel sold in  
31 1 the state. Under the Act, until June 30, 2007, the rates for  
31 2 unblended and blended motor fuel are adjusted each year based  
31 3 on the number of gallons of ethanol blended gasoline that are  
31 4 distributed in this state as expressed as a percentage of the  
31 5 total number of gallons of motor fuel distributed in this  
31 6 state.

31 7 In 2005, the general assembly enacted H.F. 868 (2005 Iowa  
31 8 Acts, ch. 150) imposing a special rate of 17 cents on each  
31 9 gallon of E=85 gasoline (a blend containing a minimum of  
31 10 between 75 and 85 percent alcohol depending on the season) if  
31 11 certain conditions were met. The Act requires the department  
31 12 of revenue to compare the amount of moneys actually collected  
31 13 using the special 17 cents rate with the amount of moneys that  
31 14 would have been collected if the adjusted rate applied. If  
31 15 the difference is equal to or greater than \$25,000, the tax  
31 16 rate beginning the next year is at the adjusted rate.

#### 31 17 DIVISION I == ESTABLISHMENT OF RENEWABLE FUEL STANDARDS.

31 18 This division amends Code chapter 214A, which provides  
31 19 authority to the department of agriculture and land  
31 20 stewardship to regulate the sale of motor fuel.

31 21 The division amends Code section 214A.1 by providing a  
31 22 number of definitions for "biodiesel", "biodiesel blended  
31 23 fuel", "ethanol", "ethanol blended gasoline", and "E=85  
31 24 gasoline". The division establishes a quality standards  
31 25 program for renewable fuel producers. It provides that a  
31 26 renewable fuel producer is prohibited from selling biodiesel  
31 27 or biodiesel blended fuel in this state, and a dealer is  
31 28 prohibited from purchasing biodiesel or biodiesel blended fuel  
31 29 from a renewable fuel producer, unless the renewable fuel  
31 30 producer is accredited under the terms and conditions of the  
31 31 program. Under the program, an accreditation service  
31 32 appointed by the department performs a formal review and audit  
31 33 of the capacity and commitment of the renewable fuel producer  
31 34 to produce or market biodiesel or biodiesel blended fuel in a  
31 35 manner and according to procedures that meet the program  
32 1 standards for quality.

32 2 The division amends Code section 214A.2, which provides for  
32 3 different types of motor fuel and establishes standards or  
32 4 specifications for motor fuel. The division amends the  
32 5 section to require that ethanol blended gasoline contain a  
32 6 blend of at least 10 percent ethanol (the so called "E=10"  
32 7 standard). It designates gasoline with a minimum seasonal  
32 8 blend of between 75 and 85 percent or more ethanol as E=85  
32 9 blended gasoline based on current law (see Code Supplement  
32 10 section 452A.3).

32 11 The division establishes similar standards for biodiesel  
32 12 and biodiesel blended fuel. It requires that biodiesel  
32 13 blended fuel contain at least 2 percent biodiesel by volume.  
32 14 It prohibits any person from falsely advertising motor fuel,  
32 15 including renewable fuel, and specifically, ethanol blended  
32 16 gasoline and biodiesel blended gasoline. Code section 214A.11

32 17 provides that any person violating the provisions of Code  
32 18 chapter 214A is guilty of a simple misdemeanor. A simple  
32 19 misdemeanor is punishable by confinement for no more than 30  
32 20 days or a fine of at least \$50, but not more than \$500, or by  
32 21 both.

32 22 DIVISION II == RENEWABLE FUEL INFRASTRUCTURE. This  
32 23 division establishes a renewable fuel infrastructure  
32 24 initiative. It appropriates moneys from the healthy Iowans  
32 25 tobacco trust to a renewable fuel infrastructure fund which is  
32 26 under the control of the department of natural resources.  
32 27 Moneys in the fund are appropriated to the department  
32 28 exclusively to support a renewable fuel infrastructure program  
32 29 as created in the division, including costs necessary to  
32 30 administer the program. The department must cooperate with  
32 31 the Iowa comprehensive petroleum underground storage tank fund  
32 32 board in carrying out the program.

32 33 The purpose of the program is to improve a service station  
32 34 by installing, replacing, or converting motor fuel storage and  
32 35 dispensing infrastructure which is designed and used  
33 1 exclusively to store and dispense E=85 gasoline, biodiesel, or  
33 2 biodiesel blended fuel on a retail basis. The division  
33 3 includes eligibility requirements for a person to participate  
33 4 in the program. The department must distribute financial  
33 5 incentives to improve service stations located throughout the  
33 6 state. The financial incentives must be in the form of an  
33 7 interest-free loan. In order to participate in the program an  
33 8 eligible person must execute a cost-share agreement with the  
33 9 department in which the person contributes a percentage of the  
33 10 total costs related to improving the service station. A  
33 11 participating person who acts in violation of a cost-share  
33 12 agreement with the department is subject to a civil penalty of  
33 13 not more than \$1,000 a day for each day of the violation.

33 14 DIVISION III == RENEWABLE FUEL TAX CREDIT FOR RETAIL  
33 15 DEALERS. This division amends tax credit provisions in Code  
33 16 chapter 422 to provide that a retail dealer who sells E=85  
33 17 gasoline is eligible to receive a tax credit. The tax credit  
33 18 applies to taxpayers filing as individuals or businesses. The  
33 19 amount of the tax credit is a designated rate multiplied by  
33 20 the total number of gallons of E=85 gasoline sold and  
33 21 dispensed through all motor fuel pumps operated at each of the  
33 22 taxpayer's service stations during the tax year. The  
33 23 designated rate ranges from 10 cents to 20 cents depending  
33 24 upon the number of E=85 gasoline gallons sold on a statewide  
33 25 basis.

33 26 The division also provides that a retail dealer who sells  
33 27 biodiesel blended fuel is also eligible to receive a tax  
33 28 credit with similar requirements that apply to a retail dealer  
33 29 who sells ethanol blended gasoline (E=10 gasoline). In this  
33 30 case, the amount is based on each gallon of biodiesel sold and  
33 31 dispensed by the retail dealer and ranges from 3 to 5 cents  
33 32 depending upon the percentage of biodiesel blended fuel sold  
33 33 when compared to the total amount of diesel fuel sold.

33 34 The E=85 gasoline and biodiesel blended fuel tax credits  
33 35 are not available after December 31, 2011.

34 1 The provisions in division III which provide a tax credit  
34 2 to retail dealers selling E=85 gasoline and biodiesel blended  
34 3 fuel apply to tax years beginning on or after January 1, 2007,  
34 4 and are repealed on January 1, 2012.

34 5 DIVISION IV == COORDINATING PROVISIONS == GOVERNMENT  
34 6 VEHICLES. This division amends the provisions that require  
34 7 state and local government vehicles to operate using ethanol  
34 8 blended gasoline. It also amends similar provisions which  
34 9 require state agencies to purchase flexible fuel vehicles.  
34 10 The division standardizes the language and refers to common  
34 11 definitions as created in the division amending Code section  
34 12 214A.1 and related standards created in the division amending  
34 13 Code section 214A.2.

34 14 DIVISION V == COORDINATING PROVISIONS == MISCELLANEOUS. A  
34 15 number of provisions in the Code refer to alcohol or ethanol  
34 16 blended gasoline, including E=85 gasoline, and soydiesel or  
34 17 biofuel. This division standardizes the language and refers  
34 18 to common definitions as created in the division amending Code  
34 19 section 214A.1 and related standards created in the division  
34 20 amending Code section 214A.2.

34 21 DIVISION VI == CHANGE IN TERMS. This division amends a  
34 22 number of provisions by changing the term "oxygenate octane  
34 23 enhancer" to "oxygenate", "motor vehicle fuel" to "motor  
34 24 fuel", and "motor vehicle fuel pump" to "motor fuel pump" for  
34 25 purposes of consistency in chapters throughout the Code, but  
34 26 in particular in Code chapters 214A and 452A.

